

DEPARTMENT OF GENERAL SERVICES FUEL CARD REVIEW
EXECUTIVE SUMMARY

State Vehicles Lack Consistent Oversight

AUDIT HIGHLIGHTS

Franchise Tax Board (FTB) utilizes 18 State vehicles (13 leased and 5 purchased) within different areas of Central Office, International (Child Support Services Automation System), and the District Offices. The leased State vehicles are contracted through Department of General Services (DGS) using the DGS blue charge card. The Voyager fuel card is used to purchase fuel for the State vehicles. The Support Services Warehouse, which resides under the Business Services Section, currently has oversight over 14 out of the 18 State vehicles.

Our review of the leased and purchased State vehicles, the use of the Voyager fuel card, and the DGS blue charge card revealed the following major areas of concern. For more detailed information, please refer to the audit report.

- Inconsistent or non-existent procedures regarding the use of State vehicles and the Voyager fuel card
- Violations of the State Administrative Manual (SAM) regarding the use of the Voyager fuel card
- Lack of review of vehicle charges
- Inaccurate information submitted to DGS

We recognize and commend the Business Services Section for taking a proactive approach prior to our review and implementing measures to improve the State vehicle and Voyager fuel card use process. However, the internal controls over State vehicles and Voyager fuel cards lack proper oversight and needs to be strengthened. We recommend that the Support Services Warehouse be designated as the department's centralized area for providing oversight over all State vehicles and Voyager fuel card use.

AUDITEE RESPONSE

The Business Services Section concurred with our recommendations and provided a response for their resolution. Please refer to Auditee Response of this report.

chair John Chiang
member Judy Chu, Ph.D.
member Michael C. Genest



State of California
Franchise Tax Board

06.25.08

To: Philip Yu, Office of Internal Audit

From: Kim Fukui

Department of General Services Fuel Card Review

Memorandum

We have evaluated your report dated June 11, 2008 regarding the results of your review of leased and purchased State vehicles, the use of the Voyager fuel card, and Department of General Services (DGS) blue charge card pertaining to leased vehicles. This is our response to the report.

- Internal Audit Recommendation: Establish consistent procedures for the entire department to follow in regards to State vehicle and Voyager fuel card use.

Business Services response: Written procedures have been developed and will be updated to address the issues identified in this report. Since we do not physically control the vehicles at International (CCSAS) and the District Offices, the oversight of them was always the responsibility of the respective offsite offices. However, to ensure consistency, we will share our documented procedures with those offsite offices.

- Internal Audit Recommendation: Provide the mileage on a monthly basis to DGS for all State leased vehicles.

Business Services response: We will revise our procedures to require mileage be reported to and summarized by the Fleet Supervisor (or back-up) three - five days after the close of a month in order to accurately and timely report the monthly mileage to DGS. The reporting requirement will apply to offsite offices as well.

- Internal Audit Recommendation: Verify the grade of gas purchased, only the basic car wash is purchased, and the fuel purchases do not exceed the tank capacity for all State vehicles.

Business Services response: The Fleet Supervisor (or back-up) will perform this verification.

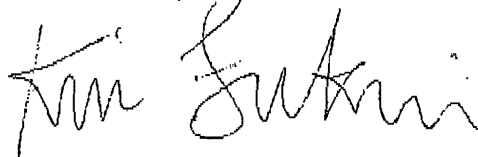
- Internal Audit Recommendation: Review and approve invoice charges for leased State vehicles and gas purchases for the purchased State vehicles.

Business Services response: We currently do not receive the Itemized Invoices from Fiscal Accounting that list the invoice charges for the leased vehicles. However, we will request a copy of the invoices in order to perform the recommended review and approval process.

- Internal Audit Recommendation: Notify all business areas to secure vehicle keys in a locked drawer or locked key box.

Business Services response: We will update our procedures for securing vehicle keys in a locked drawer or key box and then notify all business areas. This update will include key disposition procedures for after hours.

Let me know if you have any questions (845-3251).



Manager, Business Services Section



chair **John Chiang**
member **Judy Chu, Ph.D.**
member **Michael C. Genest**

State of California
Franchise Tax Board

06.27.08

To: Laura Farmer, Manager
Business Services Section

From: Philip Yu

Department of General Services Fuel Card Review
State Vehicles Lack Consistent Oversight

Memorandum

This report presents the results of our review of leased and purchased State vehicles, the use of the Voyager fuel card, and Department of General Services (DGS) blue charge card pertaining to leased vehicles.

Introduction

In September 2006, DGS contacted Business Services, FTB regarding potentially inappropriate fuel charges made on a Voyager fuel card. The Voyager fuel card is issued by DGS for purchase of fuel and car washes for the State vehicle. During a four-month period from May – September 2006, eight of the fuel purchases exceeded the fuel tank capacity of the vehicle. In addition, the Voyager fuel card was used to purchase supreme fuel that is prohibited per the State Administration Manual.

In January 2007, Business Services contacted the Information Security Audit Unit (Security) within the Privacy, Security and Disclosure Bureau, to conduct an employee investigation regarding the possible inappropriate fuel charges. Security completed their review and issued a report on March 6, 2007. Security was unable to identify employee misuse of the Voyager fuel card, but provided recommendations to improve upon Business Services' processes regarding State vehicles and Voyager fuel card use.

Due to the narrow scope of Security's investigation, Internal Audit was contacted to perform a thorough review of the entire business processes and controls over the use of State vehicles and Voyager fuel card purchases.

Background

State Vehicles

The Support Services Warehouse, which resides under the Business Services Section, is responsible for providing oversight for the use of vehicles assigned to FTB, Central Office. Vehicles assigned to FTB are not available for overnight travel, with the exception of the vehicle assigned to the Executive Officer.

The Support Services Warehouse is responsible for the review of Voyager fuel card charges and monthly invoices to identify unnecessary and inappropriate charges and to inform vehicle operators of current contracts and policies relating to fuel card purchases.

Vehicles are either leased or purchased from DGS. The leased vehicles are acquired from the Office of Fleet & Asset Management (OFAM), DGS State garage facility. The purchased State vehicles are acquired from DGS through the State procurement process. Vehicles are used for general work related use, pick-up/route of FTB mail, and to patrol FTB premises.

Each vehicle, leased and purchased, is assigned a Voyager fuel card. However, in case of an emergency, there are three extra Voyager fuel cards for the vehicles maintained by the Support Services Warehouse - two for the vehicles and one for the truck.

The chart below presents the location of vehicles, numbers of leased and purchased vehicles, and if the Support Services Warehouse has oversight over the vehicles:

Areas	Leased	Purchased	Support Services Responsibility
Central Office Fleet	5	1	Yes
Central Office Warehouse		3	Yes
Central Office Messenger	2		Yes
Central Office Executive	1		Yes
Central Office Worksite Security	1	1	Yes for Leased No for Purchased
International (CSSAS)	1		Yes
Sacramento District Office	1		No
San Diego District Office	1		No
Santa Ana District Office	1		No

FTB has ten leased vehicles and four purchased trucks under the responsibility of the Support Services Warehouse. The Support Services Warehouse does not have any oversight over the three leased vehicles used by the District Offices.

In addition, there is one truck purchased by Central Office Worksite Security that is not under the responsibility of the Support Services Warehouse. Only Inter-Con Security Systems Inc. uses this truck. Inter-Con is a vendor contracted to provide security to FTB staff and the facility. Security Officers that use the state vehicles are employees of Inter-Con Security Systems Inc.

Leased State Vehicles

The thirteen leased State vehicles located at FTB Central Office, International, and the District Offices are contracted through DGS using the DGS blue charge card. The DGS blue charge card is used for payment of leasing vehicles for a short-term or long-term assignment and is charged to FTB on a monthly basis that varies by the type of vehicle.

In the contract for leased vehicles, the monthly lease payment of the vehicle includes the cost of fuel and car maintenance. The leased vehicles are also charged a \$.30 per mileage rate usage. The mileage is tracked on the Monthly Travel Log (STD 273) that is kept in each vehicle and reported monthly via the Internet to DGS' Mileage Log website.

Each month the DGS sends a monthly statement to FTB detailing the charges for the leased vehicles including mileage usage. This total amount is paid for from the General Fund to DGS through an electronic fund transfer (EFT). Fiscal Accounting receives the monthly statement for the leased State vehicles that are charged on the DGS blue charge card. The monthly statements are then sent out to the card users for approval prior to posting in CALStars. If the approver does not agree with the amounts invoiced, Fiscal Accounting will contact DGS and request a correction.

Purchased State Vehicles

The five purchased State vehicles are located at FTB Central Office. A Voyager fuel card is issued from DGS for each purchased State vehicle to purchase gas only. FTB is responsible for the car maintenance on purchased State vehicles and is therefore not required to submit mileage to DGS.

Fiscal Accounting receives the monthly statements from DGS for the Voyager fuel card purchases for the purchased vehicles and forwards them to the Support Services Warehouse for approval. Once the monthly statements are approved, Fiscal Accounting will issue a claim schedule through the Revolving Fund to remit payment to Voyager Fleet Systems, DGS for the gas purchases.

Scope

The audit scope includes leased and purchased State vehicles, the checkout process for the use of the vehicle, the mileage reporting process, the Voyager fuel card, and the DGS blue charge card related to leased vehicle use covering the period of February 2007 through January 2008.

Audit Objective

The objectives of this review were to verify that:

- Procedures are established for the oversight of State vehicle and Voyager fuel card use.
- Proper controls exist over State vehicle and Voyager fuel card use.
- A vehicle checkout system is in place and correctly utilized in order to establish an audit trail.
- Monthly Travel Log (STD 273) is utilized on all State-owned vehicles and the mileage of the leased vehicles is properly reported to DGS on a monthly basis.
- Voyager fuel cards are properly used for the purchase of gas and car washes.
- Invoices are properly approved prior to payment.

Methodology

The auditor conducted interviews in-person and by phone, examined vehicle sign out sheets and Monthly Travel Logs (STD273), reviewed policies and procedures, DGS monthly mileage log, and gas receipts to determine whether internal controls are in place. The auditor also reviewed invoices from OFAM to verify that proper charges were made to FTB for listed leased State vehicles.

Our Observations

The following was observed:

1. Procedures for State vehicle and Voyager fuel card use were not made available to all FTB Central Office areas. Procedures are outdated or there were no formal written procedures developed for use of the State vehicle and Voyager fuel card at International and the District Offices.
2. The Central Office Messenger, International (CSSAS), Sacramento District Office, and the San Diego District Office had incomplete Monthly Travel Logs (STD 273). As a result, the monthly mileage to DGS was reported inaccurately.
3. One of the Voyager fuel cards assigned to a Messenger Services vehicle was used to fuel two different leased State vehicles.
4. No one is reviewing the amount of fuel purchased on the gas receipts and comparing it to the vehicles' gas tank capacity.
5. The premium car wash was purchased, which is against policy.
6. Fiscal Accounting did not forward the DGS blue charge card monthly statements to the Support Services Warehouse; therefore charges were not reviewed. In our review of the monthly DGS blue charge card statements, it was identified that FTB is not being billed for the leased State vehicle utilized by International (CSSAS).

7. Auditor identified that the current vehicle being leased by the San Diego District Office was not being billed to FTB. The vehicle was being billed to another State Agency for at least six months. The auditor contacted DGS, OFAM State garage and they immediately corrected the billing code error.
8. FTB does not maintain a complete listing of all State vehicles currently utilized; this includes the vehicles leased by the District Offices.
9. The three leased State vehicles used by the District Offices were not included in the bi-annual Passenger Vehicle Usage Report (STD 276A).
10. Central Office Warehouse truck keys were left out unsecured.

Conclusion

We recognize the Business Services Section has implemented many of Security's recommendations by assigning one Voyager fuel card to a specific State vehicle, developing a fuel card sign out sheet, and implementing a checkout system for the Central Office vehicles to strengthen controls over State vehicle and Voyager fuel card use.

However, based on our review the internal controls over State vehicles and Voyager fuel cards are inadequate. To strengthen internal controls over State vehicle and Voyager fuel card use, we recommend that the Support Services Warehouse be designated the department's centralized area for providing oversight over the State vehicles and the Voyager fuel card. With one area providing oversight over State vehicles and Voyager fuel cards, we believe procedures will be consistent and internal controls over the process will be strengthened.

We recommend the Support Services Warehouse:

- Establish consistent procedures for the entire department to follow in regards to State vehicle and Voyager fuel card use,
- Provide the mileage on a monthly basis to DGS for all State leased vehicles,
- Verify the grade of gas purchased, only the basic car wash is purchased, and the fuel purchases do not exceed the tank capacity for all State vehicles,
- Review and approve invoice charges for leased State vehicles and gas purchases for the purchased State vehicles, and
- Notify all business areas to secure vehicle keys in a locked drawer or locked key box.

Please inform Internal Audit in writing, of your efforts to implement the recommendations after 60 days, 6 months, and 1 year from the date of this final report. The information you provide us will be used to determine the need for a follow-up review.

We greatly appreciate the cooperation and assistance provided by the Business Services Section, Fiscal Accounting, Worksite Security, and the District Offices. If you have any questions, please contact Jeannie Mora at (916) 845-3385.

Philip Yu, Director
Internal Audit Bureau

cc: S. Stanislaus
L. Iwafuchi
L. Crowe
L. Garrison
D. Lieberman
D. Strong
K. Fukui
M. Aday

APPENDIX A
AUDITEE RESPONSE

DGS Fuel Card Review – 60-day Follow-Up

- Procedures have been updated to require all mileage on leased vehicles be reported on the Monthly Travel Logs (STD 273). The District offices and the International office have been notified to submit this report to FTB's Fleet Supervisor (effective 8/08) after the close of a month. The total mileage for FTB is then computed and reported on a monthly basis to DGS.
- Supervisory verification procedures have been established for fuel card receipts (basic car wash, no premium gas, tank capacity). Written procedures located in the vehicles have been updated with these requirements.
- Procedures for securing vehicle keys after hours have been implemented.
- Invoice charges are now reviewed for leased State vehicles and for gas purchases for purchased State vehicles. Fiscal Accounting is now forwarding a copy of the DGS blue charge card monthly statement to Business Services.
- While we have updated our fleet procedure manual, we decided to totally revamp the manual which will result in a much improved document. Once this has been complete (by next week), we will distribute the fleet manual to the DO's and local offices.

DGS Fuel Card Review – 6 month Follow-Up

- We have developed a Fleet Procedure Manual. We have contacted the DO's that use state vehicles and alerted them to the new procedures, and they are complying with them.
- The mileage is reported each month by the 5th day or else we are fined.
- The receipts are monitored, and all areas are being reviewed including the basic car wash, amount of fuel purchased.
- I have not received anything from fiscal about the DGS invoice even though I have repeatedly asked to have them sent to me. I do see the monthly invoice for fuel usage, and I check it for all of the proper usages. I am going to physically walk up to fiscal and find out why I cannot receive these invoices after several request to have them sent to me for review.
- The keys and fuel cards are being locked up each night in a secure cabinet

DGS Fuel Card Review – 1 year Follow-Up

- We have developed a Fleet Procedure Manual. We have contacted the DO's that use state vehicles and alerted them to the new procedures, and they are complying with them.
- The mileage is reported each month by the 5th day or else we are fined.
- The receipts are monitored, and all areas are being reviewed including the basic car wash, amount of fuel purchased.
- I have not received anything from fiscal about the DGS invoice even though I have repeatedly asked to have them sent to me. I do see the monthly invoice for fuel usage, and I check it for all of the proper usages. I am going to physically walk up to fiscal and find out why I cannot receive these invoices after several request to have them sent to me for review. While we still were not receiving the invoices from Fiscal on a regular and timely basis, we have been given a main contact name (Debra Villalobos) and have been assured that they will give this a higher priority. We eventually did get the invoices through June 2009 and have performed the monthly reconciliation.
- The keys and fuel cards are being locked up each night in a secure cabinet